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Loss of Middle East Oil Production

1. Western Europe's total petroleum requirements for 1950-1951 will approximate 76,605,000 MT. Crude imported for refining locally will amount to 42,530,000 MT; refined products, 20,005,000; bunkers and military liftings 10,500,000; and indigenous supplies (crude, shale oil alcohol and benzol) 3,570,000. Currently close to 95 percent of the crude imports originate in the Middle East and about 62 percent of the refined products, bunkers and military liftings are supplied from the same source. The remainder of the crude brought in and slightly more than 37 percent of the refined products are received fromtthe Western Hemisphere.

2. Taking into consideration availability of exchange, to what extent could Western Europe's petroleum requirements be met in peace time in event a) Iran, or b) the entire Middle East area came within the Soviet sphere or influence? The answer depends largely upon a) the amount of oil the USSR and satellites could take out of the area; b) by what amounts consumption in Western Europe could be reduced without impairment of essential economy; c) how much crude production could be increased elsewhere in the world; d) whether refining capacity would be available to make the products needed; and e) if transportation would be adequate.

3. The amount of crude and products from the Middle East, available for sale to non-Communist countries in event that area came under Communist control, would approximate the difference between petroleum produced and refined and what the USSR and satellites could take out of the area plus local consumption. Lack of transport would impose severe limitations on the extent to which the Soviet sphere could benefit from control of Middle

East oil. The USSR and satellites are believed to possess not more than the equivalent of nine T-2's and these are required to move petroleum in the Black Sea. Some of these vessels, however, might be employed to pick up oil in the Persian Gulf or at the Mediterranean terminals of the pipelines. The amount of oil could be substantially increased perhaps by bartering oil for charters, or even tankers controlled by non-Communist countries. Probably not more than 1,000,000 MT/Y could be moved north by rail and truck from Iran and Iraq to the Caspian Sea. It is doubtful, if even in wartime, the Soviet Union would attempt to move by air more than insignificant quantities of aviation gasoline and special lubricants out of Abadan and extremely unlikely that air transport would be so employed short of war. It is estimated that even if prevailing rates of crude production and refining operations were curtailed by 15 percent the present scale of imports (not bunkers and military liftings) from the Middle East to Western Europe could be maintained if the OEEC countries could, and would, meet Soviet terms. Middle East oil, to the extent of 25,000,000 MT/Y now supplied to other destinations, would, of course, have to be found elsewhere.

4. Since no definite quantity of petroleum from the Middle East could be counted on in event the area came under Communist control, estimates are given as to the extent requirements for this oil could be met in other ways.

5. It has been estimated that Western Europe's petroleum consumption for 1950-1951 could be curtailed as much as 10 percent without undue hardship. Such a reduction, however, would interfere with the rearmament program. If a cutback of 10 percent in requirements were imposed, imports

of crude could be reduced to about 38,000,000 MT and those of refined products to 18,750,000 MT. Total imports would then aggregate around 56,750,000 MT, a reduction of 5,775,000 MT from the original estimate. The following estimates, however, are based on the expectation that all 1950-1951 requirements will be met.

6. Loss of Iran would require replacement of imports into Western Europe from that source amounting to 7,000,000 MT/Y of crude and 6,250,000 MT/Y of refined products as well as bunkers and British military liftings amounting to 5 - 6,000,000 MT/Y. In addition, 6,000,000 MT/Y of products usually exported to other destinations would have to be obtained elsewhere. Loss of the entire Middle East would involve finding new sources of supply for Western Europe of 40,305,000 MT/Y of crude, 8,320,000 MT/Y of refined products and US-British military liftings and bunkers aggregating 10,500,000 MT/Y. Moreover, another 25,000,000 MT/Y of crude and products usually exported to other destinations would have to be replaced.

7. The loss of Iranian crude imported into Europe could be more than made up by increasing the output of petroleum in other sterling areas of the world unter British production control. Most of the refined product requirement of Western Europe, however, as well as bunkers and military lifting normally acquired in the region would have to come from dollar sources. Crude from which to make these refined products as well as that needed to supply other destinations normally taking Iranian crude and products could be obtained by effecting nominal increases in crude output from dollar areas under American production control. Refining capacity likewise would be available to process this crude.

8. It is difficult to visualize how the physical loss of all Middle

East crude production and refining facilities could be offset without drastic cutbacks in current rates of consumption of petroleum products throughout the non-Communist world.

9. Current crude output in areas outside the Middle East and Soviet sphere probably could be raised by 10 percent without injury to wells resulting in an annual rate of production of around 450,000,000 MT/Y, but this is 53,000,000 MT/Y less than the estimated 1950-1951 non-Communist world output including the Middle East. Of this increase not more than 10 percent would come from sterling areas; ~~requiring~~ dollar payment would be required for most of the remainder. The 450,000,000 MT/Y figure matches well on paper with the world refining capacity of 454,000,000 MT/Y outside the Middle East and Soviet sphere. Not taken into consideration, however, are operating problems incident to movement of crude to refineries, manufacture of required products, distribution to consumer, etc. which might substantially reduce effective refining capacity in relation to crude availability. Accordingly, assuming inaccessibility of the entire Middle East and crude production and refining capacity in balance at 450,000,000 MT/Y, consumption in the non-Communist world would have to be cut back at least 53,000,000 MT/Y from the 1950-1951 estimates.

10. Fewer tankers would be required - 327 against 466 - to move Western Europe's oil requirements entirely from the Western Hemisphere rather than from present sources, including the Far East.